

**THE CHICAGO PHILHARMONIC
SOCIETY**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

THE CHICAGO PHILHARMONIC SOCIETY

YEAR ENDED JUNE 30, 2021

CONTENTS

| | Page |
|-------------------------------------|------|
| Independent auditors' report | 1-2 |
| Financial statements: | |
| Statement of financial position | 3 |
| Statement of activities | 4 |
| Statement of functional expenses | 5 |
| Statement of cash flows | 6 |
| Notes to financial statements | 7-19 |



Independent Auditors' Report

Board of Directors
The Chicago Philharmonic Society

We have audited the accompanying financial statements of The Chicago Philharmonic Society (a nonprofit organization) (the Society), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Chicago Philharmonic Society as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Society has adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). Our opinion is not modified with respect to this matter.

Ostrow Reisin Berk & Abrams, Ltd.

May 11, 2022

THE CHICAGO PHILHARMONIC SOCIETY

STATEMENT OF FINANCIAL POSITION

| | |
|---|--------------|
| June 30, 2021 | |
| ASSETS | |
| Cash | \$ 270,396 |
| Grants and contributions receivable | 468,603 |
| Prepaid expenses | 3,007 |
| Property and equipment, net | 1,409 |
| Endowment investments | 609,664 |
| Security deposit | 1,333 |
| Total assets | \$ 1,354,412 |
| LIABILITIES AND NET ASSETS | |
| Liabilities: | |
| Accounts payable and accrued expenses | \$ 71,443 |
| Contract liability, concert admissions | 4,756 |
| Deferred grant revenue, PPP loan | 200,065 |
| Total liabilities | 276,264 |
| Net assets: | |
| Without donor restrictions: | |
| Undesignated | 450,224 |
| Designated by the Board for endowment | 279,664 |
| Total net assets without donor restrictions | 729,888 |
| With donor restrictions: | |
| Purpose restrictions | 18,260 |
| Endowments | 330,000 |
| Total net assets with donor restrictions | 348,260 |
| Total net assets | 1,078,148 |
| Total liabilities and net assets | \$ 1,354,412 |

See notes to financial statements.

THE CHICAGO PHILHARMONIC SOCIETY

STATEMENT OF ACTIVITIES

| Year ended June 30, 2021 | Without donor restrictions | With donor restrictions | Total |
|---|----------------------------------|----------------------------|--------------|
| Revenue: | | | |
| Grants and contributions | \$ 970,074 | \$ 18,260 | \$ 988,334 |
| Concert admissions | 5,204 | | 5,204 |
| Net investment return | 124,412 | | 124,412 |
| Net assets released from purpose restrictions | 19,950 | (19,950) | |
| Total revenue | 1,119,640 | (1,690) | 1,117,950 |
| Expenses: | | | |
| Program services | 360,709 | | 360,709 |
| Management and general | 151,728 | | 151,728 |
| Fundraising | 57,218 | | 57,218 |
| Total expenses | 569,655 | | 569,655 |
| Change in net assets | 549,985 | (1,690) | 548,295 |
| Net assets: | | | |
| Beginning of year | 179,903 | 349,950 | 529,853 |
| End of year | \$ 729,888 | \$ 348,260 | \$ 1,078,148 |

See notes to financial statements.

THE CHICAGO PHILHARMONIC SOCIETY

STATEMENT OF FUNCTIONAL EXPENSES

| Year ended June 30, 2021 | Program services | Management and general | Fundraising | Total |
|-------------------------------|---------------------|---------------------------|-------------|------------|
| Personnel | \$ 242,008 | \$ 92,701 | \$ 48,560 | \$ 383,269 |
| Advertising and marketing | 11,429 | | | 11,429 |
| Concert production costs | 79,017 | | | 79,017 |
| Depreciation and amortization | 122 | 105 | 55 | 282 |
| Insurance | 8,660 | 1,447 | 758 | 10,865 |
| Occupancy | 7,419 | 6,344 | 3,324 | 17,087 |
| Office | 6,543 | 10,496 | 4,012 | 21,051 |
| Professional development | 1,136 | 972 | 509 | 2,617 |
| Professional fees | 4,375 | 39,663 | | 44,038 |
| Total expenses | \$ 360,709 | \$ 151,728 | \$ 57,218 | \$ 569,655 |

See notes to financial statements.

THE CHICAGO PHILHARMONIC SOCIETY

STATEMENT OF CASH FLOWS

Year ended June 30, 2021

Cash flows from operating activities:

| | |
|---|------------|
| Change in net assets | \$ 548,295 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation and amortization | 282 |
| Realized and unrealized gain on investments, net | (124,412) |
| Increase in operating assets: | |
| Grants and contributions receivable | (444,503) |
| Prepaid expenses | (970) |
| Increase (decrease) in operating liabilities: | |
| Accounts payable and accrued expenses | (727) |
| Contract liability, concert admissions | 2,122 |
| Deferred revenue, PPP loan | 166,290 |

| | |
|---|---------|
| Net cash provided by operating activities | 146,377 |
|---|---------|

Cash flows from investing activities:

| | |
|------------------------------------|---------|
| Purchase of property and equipment | (1,691) |
| Proceeds from sale of investments | 25,000 |

| | |
|---|--------|
| Net cash provided by investing activities | 23,309 |
|---|--------|

| | |
|----------------------|---------|
| Net increase in cash | 169,686 |
|----------------------|---------|

| | |
|-------------------------|---------|
| Cash, beginning of year | 100,710 |
|-------------------------|---------|

| | |
|-------------------|------------|
| Cash, end of year | \$ 270,396 |
|-------------------|------------|

Supplemental disclosure of cash flow information:

| | |
|--|--------|
| Cash paid during the year for interest | \$ 855 |
|--|--------|

See notes to financial statements.

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS

1. Organization and purpose

The Chicago Philharmonic Society (the Society) is an Illinois nonprofit organization that operates orchestral and chamber music ensembles based in Chicago, Illinois. The Society's primary purpose is the promotion and appreciation of orchestral and chamber music among the general public. Revenues are primarily derived from contracted services, ticket sales and contributions.

2. Summary of significant accounting policies

Basis of accounting:

The Society's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor-imposed restrictions. Net assets without donor restrictions are available to finance the general operations of the Society. The governing board has designated, from net assets without donor restrictions, net assets for a Board-designated endowment.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity. Net assets with donor restrictions in perpetuity at June 30, 2021 were \$330,000.

Recent accounting pronouncement:

Effective July 1, 2020, the Society adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance requires that the Society recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the Society expects to be entitled in exchange for those goods or services. The guidance uses a principles-based approach for determining revenue recognition, eliminates the transaction and industry-specific guidance, and establishes a five step approach for the recognition of revenue. The Society adopted the requirements of this standard using the modified retrospective method. The adoption of this standard did not materially impact the financial statements of the Society.

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Cash:

The Society maintains its cash in bank accounts which, at times, may exceed federally-insured limits. The Society had approximately \$29,000 in excess of federally-insured limits at June 30, 2021. Management believes that the Society is not exposed to any significant credit risk on cash.

Grants and contributions receivable:

Unconditional promises to give are recorded as contributions receivable at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at the present value of their estimated future cash flows. Conditional promises to give are not included as support until the conditions are substantially met. As of June 30, 2021, all grants and contributions receivable are expected to be collected within one year.

Grants and contributions receivable are stated at the amount management expects to collect from outstanding balances. Management estimates an allowance based on its assessment of the current status of donor history, and a review of subsequent collections. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to contributions receivable. As of June 30, 2021, an allowance for doubtful accounts is considered unnecessary and is not provided.

Investments:

The Society initially records investment purchases at cost. Thereafter, investments are reported in the statement of financial position at their fair value. Net investment return is reported in the statement of activities and consists of interest and dividend income and realized and unrealized gains and losses, less external expenses.

The Society holds all of its investments with the Jewish Federation Pooled Endowment Fund (the Fund). The Society's investments are combined with the holdings of other entities and the Fund invests the pooled amount. Investment income and loss is then allocated to the Society in proportion to its holdings compared to the Fund as a whole.

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Deferred grant revenue, PPP loan:

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act, commonly referred to as the CARES Act, was signed into law. One component of the CARES Act was the Paycheck Protection Program (PPP) which provides businesses with funding to maintain their payroll and cover applicable overhead. The PPP was implemented by the Small Business Administration (SBA) with support from the Department of the Treasury. The PPP provides funds to pay up to 24 weeks of payroll costs including benefits. Funds can also be used for other allowable costs.

In April 2020, the Society applied for and received its first PPP loan in the amount of \$449,697 (PPP 1). PPP 1 was a two-year loan with a maturity date of April 8, 2022 and an annual interest rate of 0.98%. The Society elected to account for PPP 1 under the government grant model. Grant revenue of \$33,775 was recognized during the year ended June 30, 2021. The Society received notice from the SBA in September 2021 that the full loan amount of \$449,697 was fully forgiven.

In March 2021, the Society applied for and received a second PPP loan in the amount of 300,000 (PPP 2). PPP 2 has a maturity date of March 25, 2026 and bears interest at a rate of 1% per year. It is the Society's intent to apply for loan forgiveness under the provisions of Section 1106 of the CARES Act. Loan forgiveness is subject to the approval of the lender and the SBA. The Society is eligible for loan forgiveness in an amount equal to payments made during the 24-week period beginning on the loan disbursement date, with the exception that no more than 40% of the amount of loan may be for certain qualifying expenses other than payroll expenses. The Society has elected to account for PPP 2 under the government grant model and recognized \$99,935 of PPP 2 as grant revenue related to qualifying expenses incurred during the year ended June 30, 2021. Management concluded that all of the eligibility criteria were substantially met and expects the amount to be forgiven. To the extent that all or part of PPP 2 is not forgiven, principal and interest payments are deferred until such time that the SBA remits the loan forgiveness amount to the lender or, if the application for loan forgiveness is not submitted within 10 months after the end of the 24-week period following disbursement date, then payments are to begin at that time.

Revenue recognition:

Grants and contributions

The Society recognizes contributions and grants when cash, securities or other assets, or an unconditional promise to give (pledge) are received. Contributions are recorded with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions.

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Revenue recognition: (continued)

Contributed goods and services

The Society recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The Society recognized \$24,000 for use of facilities during the year ended June 30, 2021, which are included in grants and contributions in the statement of activities and concert production costs in the statement of functional expenses.

The Society also receives donated services from unpaid volunteers who assist in its fundraising events and programs in the furtherance of its purposes. No contribution revenue has been recognized in the statement of activities because the criteria for recognition has not been met.

Concert admissions

Concert admissions revenue represents ticket revenue for performances put on by the Society. Each concert represents a distinct performance obligation and revenue is recognized at a point in time upon completion of the concert. Tickets are typically sold in advance of performances and recorded as contract liability, concert admissions until completion of the concert. Contract liability balances related to concert admissions were \$4,756 and \$2,634 as of June 30, 2021 and 2020, respectively.

Expense allocation:

The financial statements report certain categories of expenses that are attributable to more than one function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Personnel related expenses are allocated on the basis of estimates of time and effort. Depreciation and amortization, insurance, occupancy, office and professional development expenses are allocated in the same manner as personnel related expenses. Certain costs directly attributable to one program or supporting function are charged directly to that function.

Advertising and marketing:

Advertising and marketing costs are expensed as incurred. Advertising and marketing expense was \$11,429 for the year ended June 30, 2021.

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Tax status:

The Society is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and, therefore, there is no provision for federal income taxes in the accompanying financial statements. The Society follows the requirements for accounting for uncertain tax positions and management has determined that the Society was not required to record a liability related to uncertain tax positions as of June 30, 2021.

Use of estimates:

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events:

Management of the Society has reviewed and evaluated subsequent events through May 11, 2022, the date the financial statements were available to be issued.

3. COVID-19 impact

The COVID-19 pandemic has impacted the Society's operations of contractual and self-presented performances. The Society has adjusted certain aspects of its operations to protect employees, musicians and patrons while carrying out its mission. During the year ended June 30, 2021, the Society transitioned most of its activities to online platforms, when possible. However, the loss of revenue from contractual and self-presented live concerts forced the Society to take several cost-reduction measures, including a reduction in the number of full-time staff and salary reductions up to 25%. Contributions from individual and organizational donors were mostly realized as planned and the Society was able to take advantage of emergency COVID-19 funding available from federal, state and local governments to help fund operations. During the year ending June 30, 2022, the Society has been able to return to primarily in-person activities and contractual revenue is starting to build again.

In light of the uncertainty as to the severity and duration of the COVID-19 pandemic, the impact on the Society's revenues and financial position is uncertain at this time. The Society believes that the ultimate impact of the COVID-19 pandemic on its operating results, cash flows, and financial condition is likely to be determined by factors which are uncertain, unpredictable, and outside of the Society's control. The situation surrounding COVID-19 remains fluid, and if further disruptions do arise, they could materially adversely impact the Society.

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Liquidity and availability

The sources of the Society's liquidity consist of cash and grants and contributions receivable. The Society's main source of revenue is from grants and contributions which allow for the cash drawdown of funds as costs are incurred. Additionally, the Board of Directors of the Society can authorize a distribution of the endowment funds which have been Board-designated. The Society prepares an annual budget and cash flow projections, and manages its liquidity through review of actual results of operations as compared to budgeted and projected expectations.

The table below presents financial assets available for general expenditures within one year at June 30, 2021:

| <u>June 30, 2021</u> | |
|---|------------|
| Financial assets at year-end: | |
| Cash | \$ 270,396 |
| Grants and contributions receivable | 468,603 |
| <hr/> | |
| Total financial assets | 738,999 |
| | |
| Less net assets with donor restrictions | (18,260) |
| <hr/> | |
| Financial assets available to meet general expenditures within one year | \$ 720,739 |
| <hr/> | |

The Society's Board-designated endowment of \$279,664 is subject to an annual spending rate of 4% to 5% as determined by the Board. Although management does not intend to spend from this Board-designated endowment, other than amounts appropriated for operating expenditure as part of the Board's annual budget approval and appropriation, these amounts could be made available if necessary.

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Fair value measurements

Fair value measurements that are used to determine the price that would be received to sell an asset or paid to transfer a liability are described below:

- Level 1 Quoted prices are available in active markets for identical investments as of the reporting date.
- Level 2 Pricing inputs are other than quoted prices in active markets of comparable instruments, which are either directly or indirectly observable as of the reporting date and fair value is determined through the use of models or other valuation methodologies.
- Level 3 Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value are based upon the best information under the circumstances and may require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Society's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

The Society assesses the levels of financial instruments at each measurement date and transfers between levels are recognized on the actual date of the event of change in circumstances that caused the transfer in accordance with the Society's accounting policy regarding recognition of transfers between levels of the fair value hierarchy.

The Society's investment in the Fund represents its allocable share in the Fund and is measured at fair value using the net asset value per share (NAV) practical expedient and has not been categorized in the fair value hierarchy.

The following table summarizes investments for which fair value is measured using the NAV per share practical expedient:

| Investment | June 30, 2021 | Unfunded commitment | Redemption frequency | Redemption notice period |
|--|------------------|------------------------|-------------------------|--------------------------------|
| Jewish Federation Pooled Endowment Fund | \$ 609,664 | N/A | Monthly | 15 - 30 days |

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Fair value measurements (continued)

The Fund combines the Society's investment with the holdings of other entities, and then invests the pooled amount. The Fund's investments consist of the following categories:

| June 30, 2021 | |
|----------------|-------|
| Cash | 7 % |
| Fixed income | 10 |
| Global equity | 32 |
| Hedge funds | 22 |
| Private equity | 29 |
| Total | 100 % |

6. Net assets with donor restrictions

Net assets with donor restrictions represent unspent contributions restricted for specific purposes, restricted due to time, and restricted permanently for the endowment fund as presented in Note 7.

Net assets with donor restrictions for purpose and time are as follows:

| June 30, 2021 | |
|--|------------|
| Purpose restrictions: | |
| AMP Program | \$ 12,500 |
| Youth empowerment | 5,760 |
| Total purpose restrictions | 18,260 |
| Endowment: | |
| Endowment not subject to spending policy or appropriation | 330,000 |
| Total net assets with donor restrictions for purpose and endowment | \$ 348,260 |

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Net assets with donor restrictions (continued)

Net assets were released from donor restrictions by incurring the following expenses during the year ended June 30, 2021:

| Year ended June 30, 2021 | |
|---|-----------|
| Satisfaction of purpose restrictions: | |
| AMP Program | \$ 12,500 |
| Special Musicians Assistance Fund | 7,450 |
| Total net assets released from restrictions | \$ 19,950 |

7. Jewish Federation Pooled Endowment Fund

The Society has a general endowment fund. Net assets associated with endowment funds, including funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Society's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) enacted in the State of Illinois as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as donor-restricted net assets (a) the original value of the gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment and (c) accumulation to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity is classified as Board-designated net assets until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by UPMIFA.

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Jewish Federation Pooled Endowment Fund (continued)

The Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Society and the donor-restricted endowment fund
3. General economic conditions
4. The possible effects of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Society
7. The investment policies of the Society

As of June 30, 2021, the Society's endowment net asset composition is as follows:

| June 30, 2021 | |
|----------------------------------|------------|
| Board-designated endowment funds | \$ 279,664 |
| Donor-restricted endowment funds | 330,000 |
| Total endowment funds | \$ 609,664 |

Return objectives and risk parameters:

The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted and Board-designated funds that the Society must hold in perpetuity or for a specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to conserve corpus while assuming a minimal level of investment risk.

Strategies employed for achieving objectives:

To satisfy its long-term rate of return objectives, the Society relies on a total return strategy to which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society's policy is to invest 100% of the endowment cash assets in the pooled endowment portfolio of the Fund.

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Jewish Federation Pooled Endowment Fund (continued)

Spending policy and how the investment objectives relate to spending policy:

The Society's current spending policy is limited to earnings on the endowment funds. As such, the investment objectives require disciplined and consistent management philosophies that accommodate all those events which are relevant, reasonable and probable. Therefore, periodic review of total rate of return and spending rate objectives is required. Extreme positions or variations in management style are not consistent with these objectives. The Society's spending rate is limited to a maximum spending rate of 5% as determined by the Board.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Board of Directors of the Society has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

| Year ended June 30, 2021 | Without donor restrictions | With donor restrictions | Total |
|--|----------------------------------|----------------------------|------------|
| Endowment net assets, beginning of year | \$ 180,252 | \$ 330,000 | \$ 510,252 |
| Investment return, net | 124,412 | | 124,412 |
| Appropriation of endowment assets pursuant to distribution policy | (25,000) | | (25,000) |
| Endowment net assets, end of year | \$ 279,664 | \$ 330,000 | \$ 609,664 |

8. Line of credit

The Society had a \$150,000 revolving line of credit which matured on October 29, 2021. The line of credit was collateralized by an assignment of deposit account from a grantor. Under the agreement, borrowings bore interest at the Prime rate, which was 3.25% on June 30, 2021. Interest expense during the year ended June 30, 2021 was \$844. There was no balance outstanding on the line of credit at June 30, 2021.

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. Leases

The Society leased office space through December 31, 2021 for \$1,050 per month.

Effective January 1, 2022, the Society entered into a new lease agreement for office space through March 31, 2025.

Future minimum lease payments under this lease agreement are as follows:

| Year ending June 30: | Amount |
|----------------------|------------|
| 2022 | \$ 27,000 |
| 2023 | 50,312 |
| 2024 | 51,824 |
| 2025 | 38,196 |
| Total | \$ 167,332 |

Rent expense for the year ended June 30, 2021 was \$13,550.

10. Multiemployer pension plan

The Society is a participating employer in a multiemployer, defined-benefit pension plan for musicians. Contributions of \$4,813 for the year ended June 30, 2021, were charged to operations for the Society's ongoing participation in this defined-benefit plan. The inherent risk of participating in this defined-benefit plan is that under current law regarding the multiemployer benefit plans, a plan's termination, the Society's voluntary withdrawal or mass withdrawal of all contributing employers from any under-funded, multiemployer pension plan would require the Society to make payments to the plan for the Society's proportionate share of the multiemployer plan's unfunded vested liabilities.

The Society's participation in this multiemployer plan for the year ended June 30, 2021 is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employer Identification Number (EIN) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2021 is for the plan's year ended March 31, 2021. The zone status is based on information that the Society received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which financial improvement plan (FIP) or rehabilitation plan (RP) is either pending or has been implemented.

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Multiemployer pension plan (continued)

The following is for the American Federation of Musicians and Employers' Pension Plan:

| | |
|---|--------------------------|
| EIN/Plan Number | 51-6120204/001 |
| PPA Pension Zone Status | Red as of March 31, 2021 |
| FIP/RP Status | Yes - Implemented |
| Contributions | \$ 4,813 |
| Surcharge Imposed | No |
| Expiration Date Participation Agreement | 11/13/2026 |